MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2020/2021 SESSION

BAC1614 – FUNDAMENTALS OF FINANCIAL ACCOUNTING

(All Section / Groups)

16 OCTOBER 2020
9AM TO 12PM
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages excluding cover page with 4 Questions only.
2. Attempt ALL questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided

QUESTION 1

Brother Berhad is a consultation business that provide consultation service regarding accounting treatment. The following balances have been extracted from the books of Brother Berhad as at 31 December 2020.

	Debit (RM)	Credit (RM)
Consultation service		425,000
Salaries expenses	125,000	
Advertising expenses	7,000	
Prepaid insurance	27,000	
Entertainment expenses	7,875	
Utilities charges	3,750	
Rental and maintenance	27,000	
Miscellaneous expenses	58,000	
Share capital-ordinary		800,000
Supplies	105,000	
Transportation cost	24,000	
Investments	200,000	
Land	500,000	
Copyrights	54,000	
Building	325,000	
Furniture and Fixtures	65,000	
Accumulated Depreciation:		
Building		58,500
Furniture and Fixtures		13,000
5% Loan from CIMB		300,000
Cash	58,000	
Account receivable	65,000	
Account payable		40,000
Dividend	80,000	
Retained earnings, 1 Jan		95,125
	1,731,625	1,731,625

Additional information:

1. Interest on loan is not yet paid for the year. The CIMB loan is sign on 1 April 2020, and the loan will mature in 5 years.
2. Acquired a copyright on 1 January 2020. The copyright has a useful life of 40 years.

Continued…

3. Depreciation was to be provided:

   Building 2% on straight line method.

   Furniture and Fixtures 10% on straight line method.

4. Total utilities charge for the year is RM4,000.
5. Supplies balance on 31 December 2020 was RM35,000.
6. Insurance paid on 1 July 2020 for twelve-month coverage.
7. Consultation service completed but not billed with amount RM25,000.
8. Including in the trial balance are RM3,000 rental and maintenance paid for January 2021.

Required:

a) Prepare the statement of profit or loss for the year ended 31 December 2020. (12 marks)

b) Prepare the retained earnings statement for the year ended 31 December 2020. (4 marks)

c) Prepare the statement of financial position as at 31 December 2020. (9 marks)

[**Total 25 marks]**

QUESTION 2

Part A

Correcting entries is different from adjusting entries. An examination of the accounts of Waqif Bhd for the month of July revealed the following errors after the transactions were journalized and posted in trial balance.

1. A bill for RM5,400 for Supllies purchased on account was debited to Equipment, and credited to Supplies expenses with the same amount.
2. A payment of utilities expenses for RM1,450 was debited to Utilities expenses only.
3. Depreciation of RM2,450 on the equipment was recognise as Debit Depreciation expense, and credit Equipment.
4. A recognition of interest payble of RM300 is totally omitted.

Required:

Prepare correcting entries for each of the above assuming the erroneous entries are not reversed. (4 marks)

Continued…

Part B

"A fraud is a dishonest act by the employee that results in personal benefit to the employee at a cost to the employer". Fraud experts often say that there are three primary factors that contribute to employee fraud.

"Companies generally design their systems of internal control to provide reasonable assurance of proper safeguarding of assets and reliability of the accounting records" The concept of reasonable assurance rests on the premise that the costs of establishing control procedures should not exceed their expected benefit.

Required:

a) Illustrate the **THREE (3)** factors that contribute to the fraud at most companies. (6 marks)

b) Demonstrate **SIX (6)** principle of internal control. (6 marks)

Part C

Buntal Enterprise reports the following information for the month of March 2020.

Date	Description	Units	Unit Cost or Selling Price (RM)
1	Beginning inventory	100	1.00
10	Purchase	260	1.50
12	Sales	220	4.00
18	Purchase	180	1.50
25	Sales	200	4.00
26	Purchase	100	1.60
30	Sales	150	4.00

Required:

a) Compute the ending inventory, cost of goods sold and gross profit under perpetual inventory system using FIFO method. (5 marks)

b) Compute the ending inventory, cost of goods sold and gross profit under periodic inventory system using FIFO method. (4 marks)

[Total 25 marks]

Continued…

QUESTION 3

Part A

Natural resources consist of standing timber and resources extracted from the ground, such as oil, gas, gold and minerals. IFRS defines extractive industries as those businesses involved in finding and removing natural resources located in or near the earth's crust.

Required:

Briefly explain extractable natural resources and their distinguishing characteristics.

(6 marks)

Part B

Pear Sdn Bhd acquired machinery on 1 January 2017, for RM450,000. The machine had an estimated useful life of 15 years and zero salvage value. On 1 January 2020, Pear Sdn Bhd revised the total useful life of the equipment to 10 years and the estimated salvage value to be RM50,000. Assume that the year-end of the company is every 31 December.

Required:

a) Compute accumulated depreciation for the year ending 31 December 2019, if Pear Sdn Bhd used straight-line depreciation. Show all workings.

(2 marks)

b) Give journal entry to record the new depreciation amount as of 31 December 2020

(4 marks)

c) Explain the impact, if any, on depreciation when estimates that determine depreciation had change.

(3 marks)

Part C

The ledger of Arwan Sdn Bhd at the end of the current year shows Account Receivable RM 560,000; Sales RM 2,600,000; and Allowance for Doubtful Account RM 3,000 (credit balance).

Required:

a) Briefly explain what is direct write-off method? If Arwan Sdn Bhd uses the direct write-off method to account for uncollectible accounts, journalize the adjusting entries at 31 December assuming Arwan Sdn Bhd determines that Tong Sdn Bhd RM 6,000 balance is uncollectible.

(4 marks)

Continued…

b) Using allowance method, journalize the adjusting entry at 31 December assuming bad debts are expected to be (a) 0.50% of net sales, and (b) 1% of accounts receivable.

(6 marks)

[Totals 25 marks]

QUESTION 4

Part A

On 1 January 2020, Jammy Bhd issued 5 years bonds with a face value of RM5,000,000. The bonds carry a stated interest of 14% payable semiannually on 1 January and 1 July. The bonds are issued at RM5,368,035 cash when the market rate for this bond is 12%.

Required:

a) Prepare the journal entry for the issuance of bonds on 1 January 2020.

(3 marks)

b) Assuming straight-line amortization method was used to amortize the interest, prepare journal entry to record the 1st interest payment. Show all workings.

(8 marks)

c) Determine the total amount of borrowing cost incurred by issuing the above types of Bonds. Show all workings.

(4 mark)

Continued…

Part B

Selected information from the comparative financial statements of SWS Company for the year ended 31 December appears below:

	2020	2019
Inventory	RM 300,000	RM 200,000
Accounts receivable (net)	300,000	200,000
Total assets	1,000,000	900,000
Non-current liabilities	340,000	300,000
Current liabilities	260,000	110,000
Net credit sales	1,500,000	1,100,000
Cost of goods sold	1,000,000	850,000
Interest expense	20,000	15,000
Income tax expense	50,000	40,000
Net income	180,000	105,000

Required:

Compute and comment on each of the following ratios relating to the year ended 31st December, 2020.

1. Inventory turnover
2. Times interest earned
3. Debt to total assets ratio
4. Account receivable turnover
5. Return on assets

(10 marks)

[Total 25 marks]

End of page